

Message Text

CONFIDENTIAL

PAGE 01 NOUAKC 00903 01 OF 02 120945Z

10

ACTION AF-06

INFO OCT-01 EUR-12 NEA-09 ISO-00 CIAE-00 DODE-00 PM-03

H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05

/104 W

----- 098724

R 101127Z MAY 75

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 3759

INFO AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY DAKAR

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY RABAT

C O N F I D E N T I A L SECTION 1 OF 2 NOUAKCHOTT 0903

E.O. 11652: GDS

TAGS: EFIN EINV EMIN MR

SUBJECT: MIFERMA NEGOTIATIONS

REF: NOUAKCHOTT 0730

SUMMARY: NEGOTIATIONS BETWEEN REPRESENTATIVES OF MAURITANIAN GOVERNMENT AND SHAREHOLDERS OF NATIONALIZED MIFERMA IRON MINE WERE SUSPENDED MAY 6 AFTER TWO DAYS OF MEETINGS IN NOUAKCHOTT. MIFERMA REPRESENTATIVES TOLD EMBASSY THAT NNEOGIATIONS WILL BE REOPENED JUNE 23 IN HOPES THAT DURING INTERVAL GIRM WILL RE-THINK ITS "HUMILIATING" COMPENSATION OFFER (60 MILLION DOLLARS PAIAN IN EQUAL INSTALLMENTS OVER TWENTY YEARS AT FOUR AND A QUARTER PERCENT ON UNPAID BALANCE). END SUMMARY

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NOUAKC 00903 01 OF 02 120945Z

1. LEADERS OF TEAM REPRESENTING STOCKHOLDERS OF

NATIONALIZED IRON MINE MIFERMA (BBR EPYADES MINES DE FXRLEVAKDITANIE) GAVE EMBASSY MAY 7 BLOW BY BLOW DESCRIPTION OF 5TH ROUND OF COMPENSATION NEGOTIATIONS WITH GIRM. (SEE REFTEL FOR 4TH ROUND RESULTS.) GERALD VAN LOO (BRITISH STEEL CORP) AND J. Y. EICHENBERGER (PENAAEROYA) TOLD US THEY AND OTHER MEMBERS OF MIFERMA TEAM ARRIVED SUNDAY MAY 4 FOR A WEEK OF TALKS CULMINATING IN DRAFTING AND INITIALING OF COMPENSATION AGREEMENT. AFTER FIRST DAY OF MEETINGS, HOWEVER, "IT WAS CLEAR" NEGOTIATIONS WOULD HAVE TO BE SUSPENDED. VAN LOO STRESSED MIFERMA REPS "NOT WALKING OUT" AND TALKS HAD NOT "COLLAPSED," BUT THAT BOTH SIDES NEEDED TIME TO RE-ASSESS SITUATION. COMPENSATION OFFER ADVANCED BY GIRM WAS SO GROSSLY INADEQUATE THAT IT WAS AT ONCE "RIDICULOUS" AND "HUMILIATING."

2. GIRM REPS WERE NOT LED, AS BEFORE, BY MINISTER INDUSTRIALIZATION SIDI BUT BY OULD AMAR, DIRECTOR OF SNIM, THE GOVERNMENT'S HOLDING COMPANY AND NEW OWNER OF MIFERMA. AMAR OFFERED 60 MILLION DOLLARS COMPENSATION PAID IN ZUJDF INSTALLMENTS OVER 20 YEARS AT 4 AND A QUARTER PERCENT INTEREST ON UNPAID BALANCE. "THAT'S ONLY 3 MILLION DOLLARS A YEAR FOR THE NEXT 20 YEARS AT A RIDICULOUS INTEREST RATE," VAN LOO SAID IN EXASPERATION.

3. FOR FIRST TIME SHAREHOLDERS' REPRESENTATIVES VOLUNTEERED SPECIFIC FIGURES. INITIAL FIGURE PUT FORWARD BY MIFERMA WAS 249 MILLION DOLLARS. THEN DURING FOURTH ROUND, VAN LOO IN INFORMAL PRIVATE SESSION WITH GIRM REPS SHARPLY REVISED THIS INITIAL FIGURE DOWNWARD "FOR PSYCHOLOGICAL PURPOSES" (REFTEL), OFFERING TO SETTLE FOR 180 MILLION DOLLARS, PAYABLE HALF IN CASH IMMEDIATELY AND THE REMAINDER OVER "SEVERAL YEARS" (WHICH HE LATER DEFINED AS "FOUR OR FIVE YEARS"). VAN LOO SAID THAT MIFERMA ACCOUNTANTS HAVE USED "THREE OR FOUR" APPROVED ACCOUNTING METHODS FOR DETERMINING THE VALUE OF THE COMPANY, AND THAT THE RESULTS RANGED FROM 209 TO 280 MILLION DOLLARS. "THEREFORE," VAN LOO SAID, "OUR INITIAL OFFER AS A SORT OF AVERAGE WAS A VERY REALISTIC AMOUNT."

4. GIRM COUNTERED BY OFFERING ONLY A REDUCTION IN THE NUMBER OF YEARS, FROM 20 TO 12, OR 5 MILLION DOLLARS A YEAR. VAN LOO

CONFIDENTIAL

PAGE 03 NOUAKC 00903 01 OF 02 120945Z

SAID IT WAS OBVIOUS OULD AMAR HAD NO AUTHORITY AND WAS ON "A VERY SHORT LEASH". AT THIS POINT THE TALKS WERE SUSPENDED "TO ALLOW BOTH SIDES TO REFLECT UPON THE SITUATION".

5. MIFERMA REPS SAID THEY BELIEVED ESSENTIAL STICKING POINT IN NEGOTIATIONS IS GIRM'S "COMPLETE LACK OF FUNDS TO PAY ADEQUATE COMPENSATION". WHEN VAN LOO POINTED OUT THAT PRESIDENT OULD DADDAH, IN ANNOUNCING NATIONALIZATION, HAD SAID GIRM

HAD FUNDS FOR COMPENSATION MADE AVAILABLE BY OIL RICH ARAB COUNTRIES, OULD AMAR COULD ONLY SAY "HEADS OF STATE TALK LIKE THAT SOMETIMES."

6. MIFERMA REPS SAID THAT THEY WOULD USE RECESS IN NEGOTIATIONS TO CONTACT PARIS BASED SENEGALESE LAWYER POISSIER PALUN HIRED AS CONSULTANT BY GIRM. VAN LOO SAID PALUN, WHO IS OLD FRIEND OF OULD DADDAH'S, IS "EXPERIENCED HORSE TRADER" AND MAY BE ABLE INJECT NOTE OF REALISM INTO GIRM POSITIONH. VAN LOO ALSO INDICATED THAT SHAREHOLDERS REPS PLANNED TO GET WORD OF INADEQUATE GIRM OFFER TO SENIOR OFFICIALS OF IBRD, PROBABLY THROUGH WORLD BANK VICE PRESIDENT CHAUFFONIER. THEY HAD IN FACT ALIAADY ATTHHTED TO MAKE CONRTRACT WITH CHAUFFONIER WHO WAS IN DAKAR, BUT WERE UNSUCCESSFUL.

7. DURING ENSURING DISCUSSION, AMBASSADOR SUGGESTED, IN VIEW OF IBRD PRESIDENT MCNAMARA'S EXPRESS INTEREST IN MIFERMA/ GIRM COMPENSATION TALKS AND ACTION HE HAD TAKEN TO CAUTION MINISTER PLANNING ABDALLAHI AGAINST INADEQUATE COMPENSATION FORMULA LAFO JANUARY, IT MIGHT BE MORE EFFECTIVE FOR MIFERMA TO GO DIRECTLY TO MR. MCNAMARA. AMBASSADOR ALSO NOTED THAT THIS COURSE INCORPORATED ANOTHER SIGNIFICANT ADVANTAGE: DIRECT APPROACH TO IBRD CHIEF EXECUTIVE WOULD ALMOST CERTAINLY PULL PRESIDENT MCNAMARA'S SPECIAL ASSISTANT FOR RE-CYCLING OF PETRO-DOLLARS, MUHAMMAD NASSIM KOSHMAN, INTO DIALOGUE. SINCE KOSHMAN IS MAURITANIAN NATIONAL WHO IS CLOSE FRIEND AND SOMETIME PERSONAL ADVISOR TO MAURITANIAN PRESIDENT OULD DADDAH, MIFERMA POSITION AND REPORT OF ITS DISCUSSION WLFIBRD PRESIDENT MIGHT WELL GET BACK TO MOST SENIOR LEVELS OF GIRM.

8. VAN LOO IMMEDIATELY GRASPED ADVANTAGES OF THIS TACTIC. EICHENBERGER NOTED THAT HE IS ALREADY SLATED TO VISIT NEW YORK IN NEXT COUPLE OF WEEKS, AND OBSERVED HE COULD EASILY DROP CONFIDENTIAL

CONFIDENTIAL

PAGE 04 NOUAKC 00903 01 OF 02 120945Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 NOUAKC 00903 02 OF 02 120905Z

10

ACTION AF-06

INFO OCT-01 EUR-12 NEA-09 ISO-00 CIAE-00 DODE-00 PM-03

H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05

/104 W

----- 098453

R 101127Z MAY 75

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 3760

INFO AMEMBASSY ALGDRYGTPU

AMEMBASSY BONN

AMEMBASSY DAKAR

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY RABAT

C O N F I D E N T I A L SECTION 2 OF 2 NOUAKCHOTT 0903

DOWN TO WASHINGTON FOR SESSION WITH MR. MCNAMARA. MIFERMA REPS
DID NOT MAKE FINAL DECISION ON SPOT, BUT IT SEEMED
VIRTUALLY CERTAINORULN THEY LEFT EMBASSY THAT THEY WERE GOING
TO MAKE A MAJOR EFFORT TO SEE IBRD PRESIDENT.

9. COMMENT: DESPITE DEPRESSING OUTCOME OF FIFTH ROUND OF
COMPENSATION NEGOTIATIONS, THERE IS GOOD POSSIBILITY THAT GIRM
POSITION IS NOT RPT NOT RIGID. INADEQUATE MAURITANIAN OFFER
APPEARS TO REFLECT LACK OF FUNDS RATHER THAN DOCTRINAIRE ECONOMIC
OR POLITICAL APPROACH TO NATIONALIZATION COMPENSATION PROBLEM.
TRADITIONAL GIRM DECISION-MAKING PROCESS IS TIME-CONSUMING BUILDING
OF CONSENSUS; ONLY AFTER VIRTUALLY EVERYONE HAS BEEN CONSULTED, IS
SATISFIED HIS VIEWS HAVE BEEN WORKED INTO FINAL PRODUCT, AND IS IN
AGREEMENT, DOES GOVERNMENT ACT. IN THIS CASE, GIRM HAS EVEN GREATER
INCENTIVE TO FEEL ITS WAY ALONG: THERE ARE NO PRECEDENTS FOR THESE
NEGOTIATIONS, AND POLITICAL STAKES--BOTH INTERNATIONAL AND DOMESTIC--
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 NOUAKC 00903 02 OF 02 120905Z

ARE HIGH. ON ONE HAND GIRM RISKS SERIOUS UNDERMINING OF ITS
CREDIT RATING IN WESTERN MONEY MARKETS; ON OTHER, IT RISKS
EXTINGUISHING FLICKERING SENSE OF NATIONAL UNITY AND CONSENSUS
ON THE FUTURE (ESPECIALLY AMONG YOUTH OF MAURITANIA) WHICHNTAS
KINDLED WHEN GOVERNMENT NATIONALIZED MIFERMA LAST NOVEMBER.
HANDYSIDE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, NATIONALIZATION, NEGOTIATIONS, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NOUAKC00903
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750165-0400
From: NOUAKCHOTT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750563/aaaaceua.tel
Line Count: 220
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 NOUAKCHOTT 0730
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2003 by CunninFX>; APPROVED <01 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MIFERMA NEGOTIATIONS
TAGS: EFIN, EINV, EMIN, MR, MIFERMA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006